



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Olene S. Walker
Governor

Kevin S. Carter
Director

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00025/055/006

June 21, 2004

JUN 22 2004

DIV. OF OIL GAS & MINING

CERTIFIED MAIL NO. 7160 3901 9842 1746 8161
NOTICE OF BREACH OF LEASE AGREEMENT AND RECLAMATION REQUIRED

Sunray Mineral Products, Inc.
4986 Spanish Valley Drive
Moab, UT 84532

RE: ML 44815-Clay
Time CD #9010455
DOGM Permit #S/055/006

Dear Lessee:

On May 21, 2004, the Director cancelled the above numbered Clay mineral lease upon Utah trust lands for failure of the Lessee to pay the annual rentals and minimum royalties required by the terms and conditions of the lease. Lessee no longer has any rights to enter the leased lands for purposes of extraction mining but is obligated to immediately reclaim all mined land disturbances made upon the leased lands during the active term of the lease.

Some of the mining disturbances on the permitted lands have already been reclaimed, however, the site disturbed furthest to the east within the SW4SW4 & W2SE4SW4 block the leasehold is not satisfactorily reclaimed (please see enclosed picture). In order to satisfactorily reclaim this site the following work must be performed.


1. Remove the excavated sandstone boulders that are lying in and upon the excavated humic shale material and place the boulders in a temporary stockpile.
2. Regrade the excavated humic shale material in place to match the adjacent natural land contours.
3. Cover the regraded humic shale materials with sand and clay to a thickness of approximately One Foot. (You may scrape-up some sand and clay from the surrounding lands within the leasehold to use as cover materials provided that you also regrade all such areas as may be disturbed).
4. Redistribute the sandstone boulders in the temporary stockpile. Placing them over the regraded and covered humic shale materials.

Please complete the above reclamation work within the next sixty (60) days and notify me when the work is completed.

ML 44815-Clay
June 21, 2004

Failure of Lessee to act upon this notice within the allowed 60-day reclamation period may result in forfeiture of Lessee's reclamation bond, Time CD #9010455 (First Security Bank Acct. #0459999010455) to the trust. Please contact me if you have any questions in this matter.

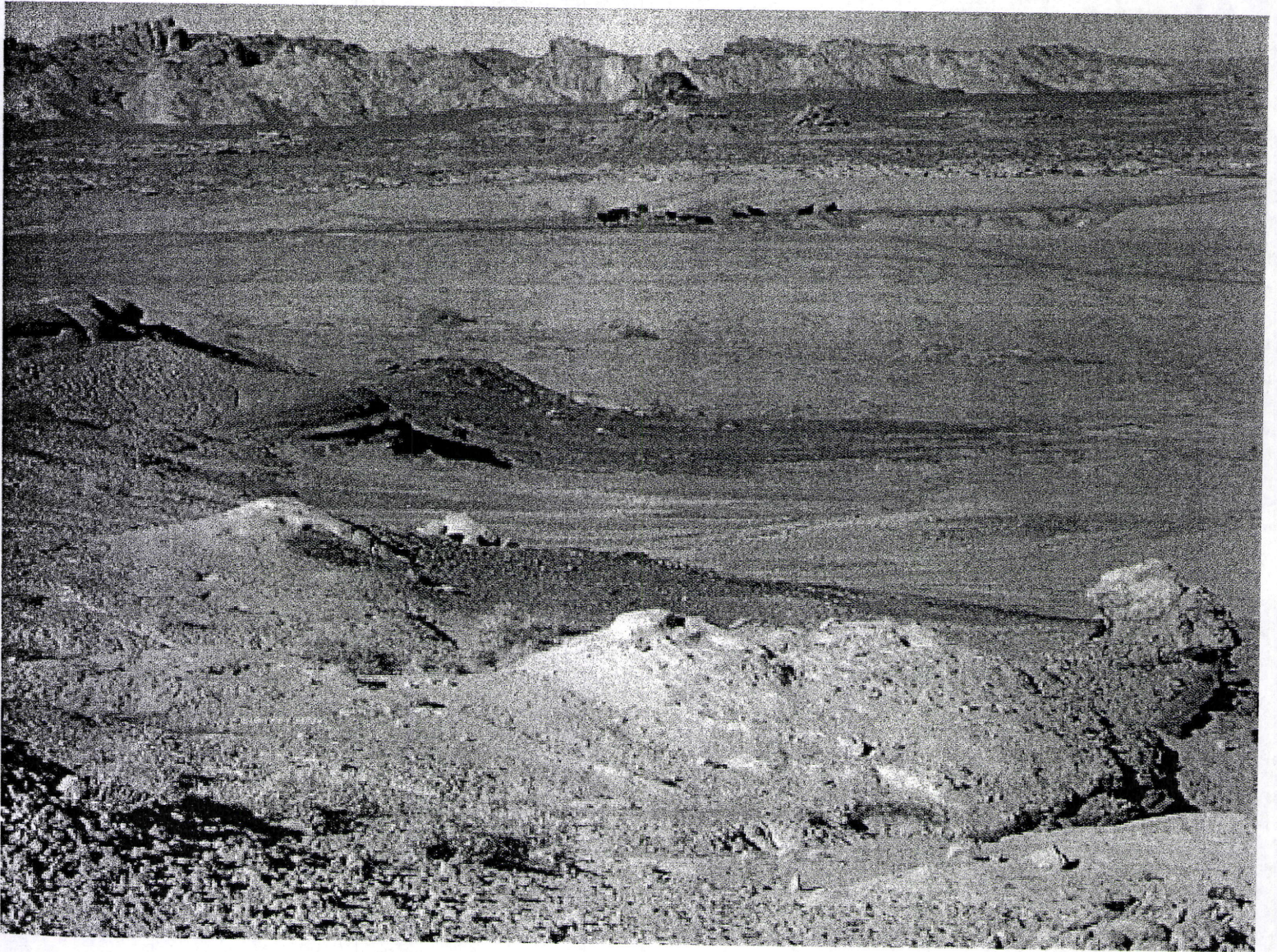
Sincerely,

A handwritten signature in dark ink, appearing to read "John T. Blake", written in a cursive style.

John T. Blake
Mineral Resources Specialist

CC: Paul Baker

OK



ML 44815 Clay

Looking northwest across an additional disturbance that appears to have been recontoured. The disturbance in the other photo is to the left of this photo.

NOT OK



ML 44815

Looking southwest onto an excavation that has not been reclaimed.
The disturbed area is small, approximately 600 Sq Ft, and was difficult to find in the field.